



Financial Affairs Committee
March 17, 2000

1) Opening Business

The meeting was held at the ACWA office location, 910 "K" Street, Sacramento. The meeting began at 9:30 a.m.

The next Financial Affairs meeting will be held **April 21 at BF Sisk, San Luis Dam.** Tona Mederios has made some great arrangements for this meeting. The meeting will begin at 9:30 a.m. in the conference room at the dam. Immediately after the meeting a lunch will be provided on site after which DWR tour guides will escort our group through the dam and the Gianelli Pumping Plant. This event promises to be very interesting and informative. So, circle April 21 on your calendars and plan to visit one of the key facilities serving the Central Valley Project and the State of California. A map is enclosed to assist you to the designated location.

2) Reclamation Reporting

a) Update on water accounting program (RAIN)

Jim Bjornsen reported that Jarvis , Contractor for Joint Application Development (JAD) of the water accounting program (RAIN) is making steady progress. To date, all stakeholders have been interviewed as to their perceived requirements and needs to be provided from RAIN. These needs are being compiled and will be further discussed at a "JAD core requirements" meeting to be held April 11 – 14. Feedback from the discussions and resulting decisions, etc. will be made available to FAC at our April 21st meeting at Sisk Dam.

b) 1999 Water Contractor Accountings

Preliminary accountings of FY 1999 water deliveries, O&M expenses, and net positive or deficit amount by contractor were provided by the Ratesetting Office to the FAC for review and potential corrections and/or adjustments. Jim noted that interest calculations and certain other adjustments relative to 1999 accountings had not yet been fully completed. FAC review and feedback to Jim and Jesus Reynoso was requested by March 31st.

The preliminary results of FY 1999 accountings show that the Irrigation function had revenues in excess of expenses of \$23 million. In significant contrast, the M&I function recorded a deficit of about \$15 Million (including interest expense on O&M Deficits). FY 1999 Irrigation Water Marketing Expenses were allocated on a delivery base of 3.4 MAF whereas the base was 2.7 MAF in 1998. M&I Water Marketing Expenses were allocated on a delivery base of 508,000 AF as compared to a base of 350,000 AF in 1998.

c) CVP Cost Allocation

Reclamation is planning a public meeting sometime between early and mid-May regarding Evaluation Criteria to be used in selecting a Cost Allocation methodology. Jim expressed hope that the process of selecting the Cost Allocation Alternative would be completed by October.

d) Project Use Energy True-up

(Checking w/Jim regarding figures he mentioned at FAC on March 17—Jim, would appreciate your input on this item)

e) Misreported M&I/Irrigation Water Deliveries—1998 & 1999

The Ratesetting Office is sorting through about 30,000 AF of Santa Clara Valley WD deliveries made during 1998 and 1999 that were initially reported as Irrigation but were subsequently identified as for M&I. Upon completing the review of this matter, a decision will be made as to how the adjustment will be made into the Irrigation and M&I water records. It was suggested though, that the adjustment could be made as a part of the 1999 accountings.

f) 2001 Water Rates

Initial observations of the 2001 CVP O&M budget show a 13.5% increase in the overall budget; from \$77 million in 2000 to \$88 million in 2001. This is very significant increase and the impact upon Irrigation and M&I operations is not yet known. Nevertheless, the FAC will review this budget issue very carefully to develop a full understanding of the activities involved and the rate impacts upon CVP customers.

3) Procedures for Computation of 2001 Capital Water Rates

Serious concern was again expressed by various FAC members regarding Reclamation's intention of changing the procedures for calculating the Capital water rates, particularly as it affects the Irrigation function. The intended method will significantly accelerate payment of capital by arbitrarily changing the current procedure of calculating a rate based on "50 year actual and projected deliveries" to a rate based on an annual amortization of the remaining capital to be repaid by 2030. Because of current issues affecting water availability and deliveries, water supplies are substantially less than normal requirements. Therefore, until such time as necessary water supplies are made available, the intended Capital Rate procedure has a "doubling up" affect upon the rate calculation. The FAC will formalize concerns regarding this intended procedure via a letter to Reclamation officials.

4) Criteria for Evaluation of Cost Allocation Alternatives (see 2c above)

5) Spring Budget Workshop (date not yet set)

6) Modification of Fiscal Agencies Responsibilities (nothing new to report)

7) Contract Renewal (no report)

8) Warren Act Reform Legislation

A copy of the proposed language has been provided to the FAC

9) Tiered Pricing (discussion related to #3 above)

